Petroleum news

page 4 ANS production up 1.9% in October, but down 4.1% from October 2020

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EXPLORATION & PRODUCTION

# Maybe 3 wells

*88 Energy, GB Pantheon, possibly another, plan North Slope off-road drilling*

By KAY CASHMAN
*Petroleum News*

While northern Alaska operators are faced with increasing costs due to shortages of workers, vehicles and equipment on top of supply chain delays, 88 Energy and Great Bear Pantheon still appear to be moving forward with their off-road winter drilling plans for two North Slope winter exploration wells in early 2022. A third company, Eni US Operating, hasn't yet made its intentions public about an offshore exploration well planned for April.

ERIK OPSTAD

According to four reliable Petroleum News sources, well service costs have increased as much as 35-40% this year over last year.

In October, 88 Energy said it had contracted with Doyon Drilling for use of the Arctic Fox rig to drill the Merlin 2 appraisal well. On Nov. 24 the company said it had selected "locations" for the well, where it aims to begin drilling by February. (See map in the pdf and print versions of this story.)

88 Energy told investors Merlin 2 will be drilled

see DRILLING PLANS page 11

FINANCE & ECONOMY

# Omicron roars in!

*New variant clobbers prices ahead of OPEC+ output increase considerations*

By STEVE SUTHERLIN
*Petroleum News*

Alaska North Slope crude fell 90 cents Dec. 1 to close at $70.02 per barrel, while West Texas Intermediate lost 61 cents to close at $65.57, and Brent dropped $1.70 to close at $68.87.

The losses on the day were negligible compared to those on the previous three trading days following Thanksgiving on Nov. 25.

On Nov. 24 ANS and Brent closed over $80, at $82.37 and $82.25 respectively, while WTI closed at $78.39.

On Nov. 26, global oil prices plunged by more than 10% on the announcement of a new COVID-19 variant — B.1.1.529 — showing up in several African countries. It was the largest daily loss since April 2020.

The variant, dubbed omicron, reportedly has an unusual slate of mutations which may help it evade the body's immune response and make it more transmissible. Some countries blocked travelers from countries where omicron has been seen, and a fear of lower mobility and new lockdowns hammered oil while sparking a selloff in financial markets.

Monday Nov. 29, ANS closed at $74.41, WTI closed at $69.95, and Brent closed at $69.95.

The red ink continued Nov. 30 after Federal Reserve Chair Jerome Powell said the red-hot U.S. economy may cause the central bank to end asset purchases sooner than previously thought in 2022.

see OIL PRICES page 5

GOVERNMENT

# Seeking Keystone payback

*TC Energy starts trade action to recover US$15 billion from US government*

By GARY PARK
*For Petroleum News*

Pipeline giant TC Energy has formally launched a bid to recover US$15 billion from the U.S. government following President Joe Biden's decision to shred a permit for the Keystone XL project.

The Calgary-based company said it has filed paperwork under a part of the North American Free Trade Agreement rules that allows companies to seek compensation for lost investment.

The case is proceeding under the rules of NAFTA which existed at the time approvals were granted for the pipeline to carry 830,000 barrels per day of bitumen from the Alberta oil sands to Gulf Coast refineries and tanker ports.

*Richard Prior, TC Energy's senior vice president for liquids pipelines, said his company has no intention of reviving the pipeline even if it wins the trade hearing.*

TC Energy is requesting that the dispute should be heard by an international arbitration panel under the provisions of NAFTA.

"The U.S. decision to revoke the permit was unfair and inequitable," the company said, blaming the U.S. for putting Keystone XL on a 13-year "regulatory roller-coaster."

NAFTA has since been succeeded by the

see KEYSTONE PAYBACK page 9

## DOI proposes federal onshore & offshore leasing program reforms

DEB HAALAND

On Nov. 11 the U.S. Department of the Interior released a report on the status of oil and gas leasing procedures on federal onshore and offshore lands, with proposals for reforms to the leasing programs. The report envisages continued oil and gas leasing, but with a more focused approach on where to hold lease sales, taking into account resource potential, environmental impacts and community interests. The DOI also wants to see increased fees for leaseholders.

"Our nation faces a profound climate crisis that is impacting

see PROGRAM REFORMS page 10

## State notes 'exceptional' Slope snow levels this early in season

In its most recent North Slope off-road travel status report, issued Nov. 23, the Alaska Department of Natural Resources' Division of Mining, Land and Water, said all tundra opening areas on the Slope remain closed.

The most recent assessment of snow conditions and soil temperatures was done Nov. 18 through Nov. 21 for state-owned land and none of the monitoring stations met requirements for opening.

However, the division noted that snow depths are "exceptional" for this early in the season and provided a graph comparing snow depths for this period with the three most recent years.

see SNOW LEVELS page 6

## State finds no substantial new info for upcoming proposed sales

TOM STOKES

In response to a September request for new information on the Alaska Peninsula and Cook Inlet areawide lease sales, the Alaska Department of Natural Resources' Division of Oil and Gas received one timely comment from Cook Inletkeeper and Alaska Public Interest Research Group.

In a decision dated Nov. 30, division Director Tom Stokes said no substantial new information was received which would justify supplements to the existing 2014 Alaska Peninsula Areawide or 2018 Cook Inlet Areawide findings.

see LEASE SALES page 8

## Alberta incentives hook C$2.5B Northern Petrochemical Corp. plant

Calgary-based Northern Petrochemical Corp., NPC, has rolled out plans to buy a 295-acre site near Grande Prairie in northwestern Alberta to build a C$2.5 billion carbon-neutral facility.

The plant is expected to create about 4,000 construction jobs starting in spring 2023 and 400 permanent jobs once it comes online in fall 2026.

NPC is targeting production of 200 million metric tons per year of blue methanol and blue hydrogen that will be converted to ammonia and methanol and shipped to markets in China, South Korea and Japan.

The company said it will capture and store carbon underground and achieve a carbon-neutral operation in the process.

see PLANT INCENTIVES page 10

GOVERNMENT

# Hilcorp fined $10,000 over Prudhoe well

*AOGCC inspector discovered violation, defeat of a safety system requirement on a well at PBU H pad, during a September inspection*

By KRISTEN NELSON

*Petroleum News*

The Alaska Oil and Gas Conservation Commission has fined Hilcorp North Slope $10,000 for violation of a regulation requiring working low-pressure safety valve system detection devices.

AOGCC said that on Sept. 27 an AOGCC inspector found "the safety valve system's low-pressure detection device defeated, preventing the automatic closure of the surface safety valve" on the Prudhoe Bay unit H-24A well.

In an Oct. 4 letter to Hilcorp, commission Chair Jeremy Price said the inspector was witnessing safety valve system tests at the Prudhoe Bay unit H pad. "The low-pressure pilot on Prudhoe Bay Unit H-24A was found defeated at the time of performance testing," Price said. He said facts reported by the inspector "indicate a failure to maintain an operable safety valve system" in violation of state regulations.

In a further letter, dated Oct. 26, Price said that the detection device was "defeated, preventing the automatic closure of the surface safety valve." Commission regulations, he said, require that completed wells be equipped with functional safety valve systems, with tagging procedures in the regulations "for a well safety valve system component that is inoperable, removed or blocked. There was no tag observed on Prudhoe Bay Unit H-24A that would indicate an inoperable low-pressure pilot."

### Hilcorp response

In a Nov. 2 response to the commission, Hilcorp said "the pilot bypass switch on the wellhouse wall was found to be in bypass. The switch was returned to normal service and the system was successfully tested."

Hilcorp said it does not know when the pilot was bypassed, but practices the company has in place, "including daily operator well inspections, installation of custody seals on normalized equipment, flagging and documentation of defeated safety devices should have prevented this incident."

Hilcorp said it investigated the incident and "found a lack of attention to the required job duties by the day and night pad operator responsible for H-pad at the time." The company said disciplinary action has been taken against both individuals.

Hilcorp said biennial safety valve system training is in place "to enforce understanding of regulatory requirements and this incident has been reviewed with the operations team to raise awareness."

### Issue of notice

The commission originally proposed that, in addition to the $10,000, a fine of $2,000 per day would be imposed because Hilcorp did not respond to the original notice which the commission sent Oct. 4, providing Hilcorp 14 days to provide an explanation of what happened and what the company would do to prevent a recurrence.

When it got no response, the commission on Oct. 26 proposed an enforcement action of the $10,000 fine plus $2,000 per day from Oct. 4 until the requested information was received.

In its Nov. 2 response, Hilcorp said it had no record of receiving the Oct. 4 notice, but said it did receive the Oct. 26 notice, which was sent certified mail. The company said in a follow-up Nov. 8 letter that it is continuing "to scour our electronic and paper files" but had not found

see HILCORP FINE page 8

## contents

Petroleum News | *Alaska's source for oil and gas news*

# Alaska-Mackenzie Rig Report

| Rig Owner/Rig Type | Rig No. | Rig Location/Activity | Operator or Status |
|---|---|---|---|

## Alaska Rig Status

### North Slope - Onshore

| | | | |
|---|---|---|---|
| **All American Oilfield LLC** | | | |
| IDECO H-37 | AAO 111 | Deadhorse, Stacked in Cruz Yard | Available |
| **Doyon Drilling** | | | |
| Dreco 1250 UE | 14 (SCR/TD) | Standby | Hilcorp Alaska LLC |
| Dreco 1000 UE | 16 (SCR/TD) | Standby | |
| Dreco D2000 Uebd | 19 (SCR/TD) | Standby | |
| AC Mobile | 25 | Alpine, MT7-01 | ConocoPhillips |
| OIME 2000 | 141 (SCR/TD) | Standby | |
| | 142 (SCR/TD) | Standby | |
| TSM 700 | Arctic Fox #1 | Standby | |
| ERD | 26 | Alpine, CD2-310 | ConocoPhillips |
| **Hilcorp Alaska LLC** | | | |
| Rotary Drilling | Innovation | Milne Point, S Pad | Hilcorp Alaska LLC |
| **Nabors Alaska Drilling** | | | |
| AC Coil Hybrid | CDR-2 (CTD) | Milne Point, Cold Stacked | Available |
| AC Coil | CDR-3 (CTD) | Kuparuk | ConocoPhillips |
| Ideco 900 | 3 (SCR/TD) | Deadhorse, Stacked | Available |
| Dreco 1000 UE | 7-ES (SCR-TD) | Kuparuk | ConocoPhillips |
| Mid-Continental U36A | 3-S | Stacked | Available |
| Oilwell 700 E | 4-ES (SCR) | Stacked | Available |
| Dreco 1000 UE | 9-ES (SCR/TD) | Stacked | Available |
| Oilwell 2000 Hercules | 14-E (SCR) | Deadhorse | Available |
| Oilwell 2000 Hercules | 16-E (SCR/TD) | Stacked | Brooks Range Petroleum |
| Emsco Electro-hoist | | | |
| Oilwell 2000 Canrig 1050E | 27-E (SCR-TD) | Stacked | Available |
| Oilwell 2000 | 33-E | Deadhorse | Available |
| Academy AC Electric CANRIG | 99AC (AC-TD) | Stacked | Available |
| OIME 2000 | 245-E (SCR-ACTD) | 12 Acre Pad, stacked | Available |
| Academy AC electric CANRIG | 105AC (AC-TD) | Stacked | Available |
| Academy AC electric Heli-Rig | 106AC (AC-TD) | Stacked | Available |
| **Nordic Calista Services** | | | |
| Superior 700 UE | 1 (SCR/CTD) | Deadhorse | Available |
| Superior 700 UE | 2 (SCR/CTD/TD) | Deadhorse, stacked | Available |
| Ideco 900 | 3 (SCR/TD) | Deadhorse, stacked | Available |
| Rig Master 1500AC | 4 (AC/TD) | Oliktok Point | ENI |
| **Parker Drilling Arctic Operating LLC** | | | |
| NOV ADS-10SD | 272 | Deadhorse, Stacked | Available |
| NOV ADS-10SD | 273 | Deadhorse, Stacked | Available |

### North Slope - Offshore

| | | | |
|---|---|---|---|
| **Doyon Drilling** | | | |
| Sky top Brewster NE-12 | 15 (SCR/TD) | Spy Island, S102-SE6 | ENI |
| **Nabors Alaska Drilling** | | | |
| OIME 1000 | 19AC (AC-TD) | Oooguruk, Stacked | ENI |

### Cook Inlet Basin – Onshore

| | | | |
|---|---|---|---|
| **BlueCrest Alaska Operating LLC** | | | |
| Land Rig | BlueCrest Rig #1 | Stacked | BlueCrest Alaska Operating LLC |
| **Glacier Oil & Gas** | Rig 37 | West McArthur River Unit Workover | Glacier Oil & Gas |
| **Hilcorp Alaska LLC** | | | |
| TSM-850 | 147 | Stacked | Hilcorp Alaska LLC |
| TSM-850 | 169 | Seaview | Hilcorp Alaska LLC |

### Cook Inlet Basin – Offshore

| | | | |
|---|---|---|---|
| **Hilcorp Alaska LLC** | | | |
| National 110 | C (TD) | Platform C, Stacked | Hilcorp Alaska LLC |
| | Rig 51 | Steelhead Platform, Stacked | Hilcorp Alaska LLC |
| | Rig 56 | Monopod A-13, stacked | Hilcorp Alaska LLC |
| **Nordic Calista Services** | | | |
| Land Rig | 36 (TD) | Kenai, stacked | Available |
| **Spartan Drilling** | | | |
| Baker Marine ILC-Skidoff, jack-up | | Spartan 151, Tyonek Platform | Hilcorp Alaska LLC |
| **Furie Operating Alaska** | | | |
| Randolf Yost jack-up | | Nikiski, OSK dock | Available |
| **Glacier Oil & Gas** | | | |
| National 1320 | 35 | Osprey Platform, activated | Glacier Oil & Gas |

## Mackenzie Rig Status

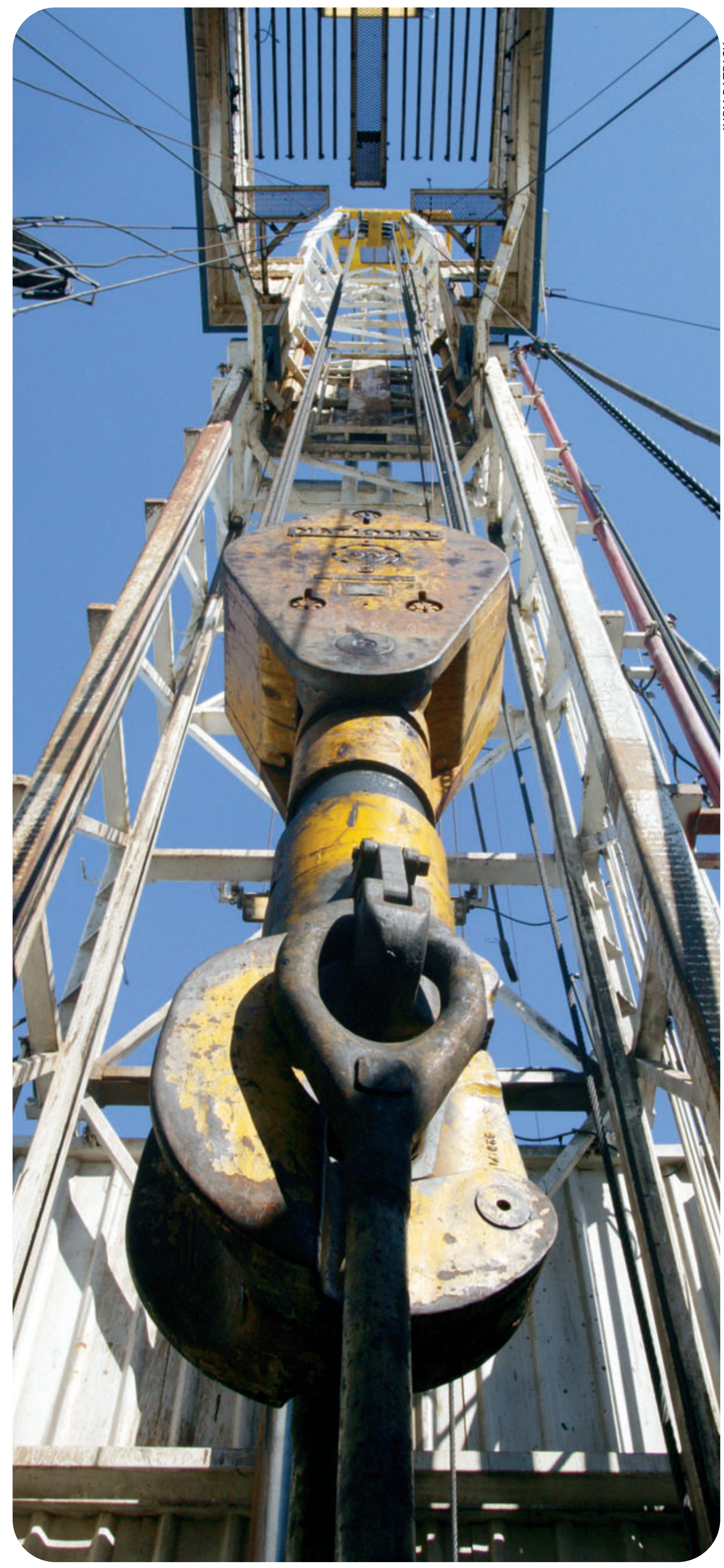
### Canadian Beaufort Sea

| | | |
|---|---|---|
| **SDC Drilling Inc.** | | |
| SDC Mobile Offshore Drilling Unit Rig #2 | Set down at Roland Bay | Available |

*The Alaska-Mackenzie Rig Report as of December 1, 2021. Active drilling companies only listed.*

**TD = rigs equipped with top drive units WO = workover operations**
**CT = coiled tubing operation SCR = electric rig**

*This rig report was prepared by Marti Reeve*



JUDY PATRICK

### Baker Hughes North America rotary rig counts*

| | Nov. 24 | Nov. 19 | Year Ago |
|---|---|---|---|
| United States | 569 | 563 | 320 |
| Canada | 171 | 167 | 102 |
| Gulf of Mexico | 15 | 15 | 12 |

| Highest/Lowest | | |
|---|---|---|
| US/Highest | 4530 | December 1981 |
| US/Lowest | 244 | August 2020 |

*Issued by Baker Hughes since 1944

● EXPLORATION & PRODUCTION

# ANS up 1.9% in October, Prudhoe up most

*But ANS volumes down 4.1% year over year; Cook Inlet crude production up 3.6% from September, but down 18.8% from October 2020*

**By KRISTEN NELSON**
*Petroleum News*

Alaska North Slope liquids production averaged 481,176 barrels per day in October, up 1.9%, 8,932 bpd, from a September average of 472,244 bpd, but down 4.1% from an October 2020 average of 501,688 bpd.

Crude accounted for 88.9% of ANS volume, an average of 427,794 bpd, up 1.7%, 7,001 bpd, from a September average of 420,793 bpd but down 4.5% from an October 2020 average of 448,012 bpd. Natural gas liquids accounted for 11.1% of October production, an average of 53,382 bpd, up 1,931 bpd, 3.8%, from a September average of 51,451, but down 0.6% from an October 2020 average of 53,676 bpd. NGLs are produced from just three Slope fields: Endicott, Northstar and Prudhoe Bay.

Production data come from the Alaska Oil and Gas Conservation Commission which reports production by field and well on a month delay basis.

### Fields with more volume

Prudhoe Bay, operated by Hilcorp North Slope, had the largest volume gain, averaging 264,600 bpd in October, up 3.2%, 8,102 bpd, from a September average of 256,498 bpd, accounting for the majority of the Slope-wide month-over-month production gain. Compared to an October 2020 average of 266,089 bpd, however, Prudhoe production was down 0.6% this October.

Crude accounted for 81.5% of Prudhoe October production, 215,620 bpd, up 3%, a gain of 6,362 bpd, from a September average of 209,258 bpd and down 0.5% from an October 2020 average of 216,757 bpd.

Prudhoe NGL production averaged 48,981 bpd in October, 18.5% of the field's production, up 3.7%, 1,740 bpd, from a September average of 47,240 bpd but down 0.7% from an October 2020 average of 49,331 bpd.

In addition to the primary reservoir, Prudhoe production volumes include Aurora, Borealis, Lisburne, Midnight Sun, Niakuk, Polaris, Point McIntyre, Put River, Raven and Schrader Bluff.

Eni's Nikaitchuq averaged 18,648 bpd in October, up 47.9%, 6.938 bpd, from a September average of 12,610 bpd and up 14.5% from an October 2020 average of 16,291 bpd.

Hilcorp's Northstar averaged 8,279 bpd in October, up 2.2%, 176 bpd, from a September average of 8,103 bpd but down 6.6% from an October 2020 average of 8,864 bpd.

Northstar production includes the largest percent of NGLs, 41.7%, of any North Slope field, an average of 3,454 bpd in September, down 48 bpd, 1.4%, from a September average of 3,502 bpd and down 1.6% from an October 2020 average of 3,511 bpd. Crude production from the field averaged 4,825 bpd in October, 58.3% of the field's volume, up 224 bpd, 4.9%, from a September average of 4,601 bpd but down 9.9% from an October 2020 average of 5,353 bpd.

Hilcorp's Endicott averaged 6,813 bpd in October, up 129 bpd, 1.9%, from a September average of 6,684 bpd and up 4.1% from an October 2020 average of 6,547 bpd. Crude is 86.1% of Endicott production and averaged 5,867 bpd in October, down 109 bpd, 1.8%, from a September average of 5,976 bpd and up 2.7% from an October 2020 average of 5,713 bpd. Endicott NGLs represent 13.9% of the field's production, averaging 947 bpd in October, up 33.6%, 238 bpd, from a September average of 708 bpd and up 13.6% from an October 2020 average of 833 bpd.

ConocoPhillips Alaska's Greater Mooses Tooth field in the National Petroleum Reserve-Alaska averaged 2,597 bpd in October, up 96 bpd, 3.8%, from a September average of 2,501 bpd but down 21% from an October 2020 average of 3,287 bpd.

### Fields down month over month

The largest month-over-month per-barrel drop was at ConocoPhillips' Colville River, which averaged 41,834 bpd in October, down 6.2%, 2,777 bpd, from a September average of 44,612, and down 17.9% from an October 2020 average of 50,923 bpd.

In addition to oil from the main Alpine pool, Colville production includes satellite production from Nanuq and Qannik.

Hilcorp Alaska's Milne Point averaged 35,007 bpd in October, down 4.7%, 1,729 bpd, from a September average of 36,736 bpd and down 0.8% from an October 2020 average of 35,304 bpd.

Eni's Oooguruk averaged 5,736 bpd in October, down 8.9%, 563 bpd, from a September average of 6,298 bpd and down 25.2% from an October 2020 average of 7,665 bpd.

The ExxonMobil-operated Point Thomson field averaged 9,048 bpd in October, down 5%, 476 bpd, from a September average of 9,254 bpd and down 0.5% from an October 2020 average of 9,096 bpd.

Kuparuk River, operated by ConocoPhillips, averaged 87,552 bpd in October, down 0.1%, 57 bpd, from a September average of 87,608 bpd and down 8.9% from an October 2020 average of 96,080 bpd.

In addition to the main Kuparuk pool, Kuparuk produces from satellites at Meltwater, Tabasco and Tarn, and from West Sak.

Savant Alaska's Badami averaged 1,061 bpd, down 8 bpd, 0.8%, from a September

see **ANS OUTPUT** page 7

## Cook Inlet natural gas production up 7.7%

Natural gas production from Cook Inlet averaged 202,847 thousand cubic feet per day in October, up 14,505 mcf, 7.7%, from a September average of 188,342 mcf per day, but down 11.9% from an October 2020 average of 230,289 mcf per day.

This data is from the Alaska Oil and Gas Conservation Commission, which reports production on a month-delay basis. For natural gas AOGCC reports measurements in thousands of cubic feet, mcf.

The inlet's seven largest fields, those representing 5% or more of Cook Inlet natural gas production, accounted for some 77.8% of volume in October.

Hilcorp's Ninilchik, with the largest volume in October, averaged 33,732 mcf per day, 16.6% of the total, up 2,714 mcf per day, 8.8%, from a September average of 31,017 mcf per day and up 23.8% from an October 2020 average of 27,250 mcf per day.

Hilcorp's Kenai field averaged 31,378 mcf per day in October, 15.5% of the total, up 2,550 mcf per day, 8.9%, from a September average of 28,828 mcf per day, but down 29.9% from an October 2020 average of 44,739 mcf per day.

Beluga River, operated by Hilcorp, averaged 25,670 mcf per day in October, 12.7% of the total, up 770 mcf per day, 3.1%, from a September average of 24,899 mcf per day but down 2.1% from an October 2020 average of 26,222 mcf per day.

Hilcorp's McArthur River averaged 22,082 mcf per day, 10.9% of inlet production, down 470 mcf, 2.1%, from a September average of 22,552 mcf per day, and down 31.9% from an October 2020 average of 32,412 mcf per day.

Hilcorp's North Cook Inlet averaged 19,832 mcf per day in October, 9.8% of inlet production, down 65 mcf per day, 0.3%, from a September average of 19,897

see **INLET GAS** page 7



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● PIPELINES & DOWNSTREAM

# Milne Pt Products Pipeline to be backup

By KRISTEN NELSON

*Petroleum News*

Milne Point Pipeline LLC has applied to the Regulatory Commission of Alaska to abandon natural gas and natural gas liquids service on the Milne Point Products Pipeline, MPPP, under certificate of public convenience and necessity No. 638. RCA is also being asked to approve including MPPP as part of Milne Point Oil Pipeline's certificate No. 329. MPPP would be a backup to the MPOP.

MPPP has no current NGL or natural gas transportation customers and the Milne Point unit sees no need for such service. MPPP shares vertical support members with MPOP and would serve as a back-up to ensure oil transportation service in an emergency.

In its filing with RCA, Milne Point Pipeline said service on MPPP, a 10.4-mile, 8-inch diameter line, has been suspended since 2005.

MPPP was constructed in 2001 and began transporting NGLs in late 2001 or early 2002, Milne Point Pipeline said. MPPP was constructed to accommodate either NGLs or natural gas.

NGL shipments stopped on Dec. 11, 2002, when an injection pump at the Milne Point unit failed, and there have been no shipments on the line "since 2002 because the Milne Point Unit began doing enhanced oil recovery without using NGLs."

In 2005 RCA approved suspension of service on MPPP. In 2007, RCA "approved isolation of the MPPP from the Oliktok Pipeline, the purging of the line-fill, and the refilling of the line with nitrogen."

In 2016 RCA approved a request for MPPP's certificate to be amended to allow transportation of natural gas "because of anticipated future need for natural gas by the Milne Point field and to power Module 68, a leak detection and metering facility belonging to MPPLLC."

The Milne Point operator has since determined it has no projected need for natural gas and the project at Module 68 has been cancelled.

"Quite simply, there is currently no need for NGL or natural gas service via the MPPP and, as a result, MPPLLC has decided to abandon and discontinue MPPP natural gas and products transportation service under CPCN No. 638 and to relinquish its right-of-way lease for the same."

The company wants to abandon its certificate and "leave the MPPP in place until such time as the MPOP is dismantled and removed," it told RCA. Because MPPP shares vertical support members with the MPOP, dismantlement, removal and restoration of MPPP "may disrupt MPOP operations," the company said, making it safer to defer DR&R of MPPP until MPOP is dismantled.

"The MPPP remains flanged off and charged with nitrogen and as such is in the same safe state as it has been for the last roughly 16 years," MPPLLC told RCA.

The company said it has received approval from the Alaska Department of Natural Resources' state pipeline coordinator to cancel the MPPP right-of-way lease and defer DR&R of the MPPP until MPOP is dismantled.

The state pipeline coordinator's finding, issued in February 2020, says amending the MPOP ROW lease to allow MPPP as a back-up oil pipeline is in the state's best interest.

Allowing MPPP to remain in place is in the state's best interest, the coordinator's finding said, "because activities and equipment used to remove the MPPP may pose an unnecessary risk to MPOP and having the MPPP as a back-up oil pipeline may benefit the Lessee and the State." ●

*Contact Kristen Nelson at knelson@petroleumnews.com*

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*continued from page 1*

## OIL PRICES

ANS slid $3.49 to close at $70.93, WTI dropped $3.77 to close at $66.18, and Brent lost $2.87 to close at $70.57.

Dec. 1 trading began with a rally but switched to a loss on the news that a case of the omicron variant had been reported in California.

### OPEC+ to consider market balance

The rise of omicron complicated matters as the Organization of the Petroleum Exporting Countries and its allied producing countries prepared to meet Dec. 2 to consider whether to add a planned 400,000 barrels per day of production in January.

"The sudden appearance of a potentially new and more dangerous variant comes on top of new lockdowns in parts of Europe aimed at reversing a dramatic infection surge, especially in unvaccinated populations," Angola Minister of Mineral Resources and Petroleum Dr. Diamantino Pedro Azevedo said in opening remarks to the 182nd meeting of the OPEC Conference Dec. 1. "On another front, the planned release of oil from a number of strategic reserves reinforces to the necessity of diligent market monitoring to avoid a return to market imbalance."

Azevedo said OPEC needs to pay close attention to downside risks associated with inflation, rising debt levels and supply chain disruptions, while remaining prepared to be proactive as market conditions warrant.

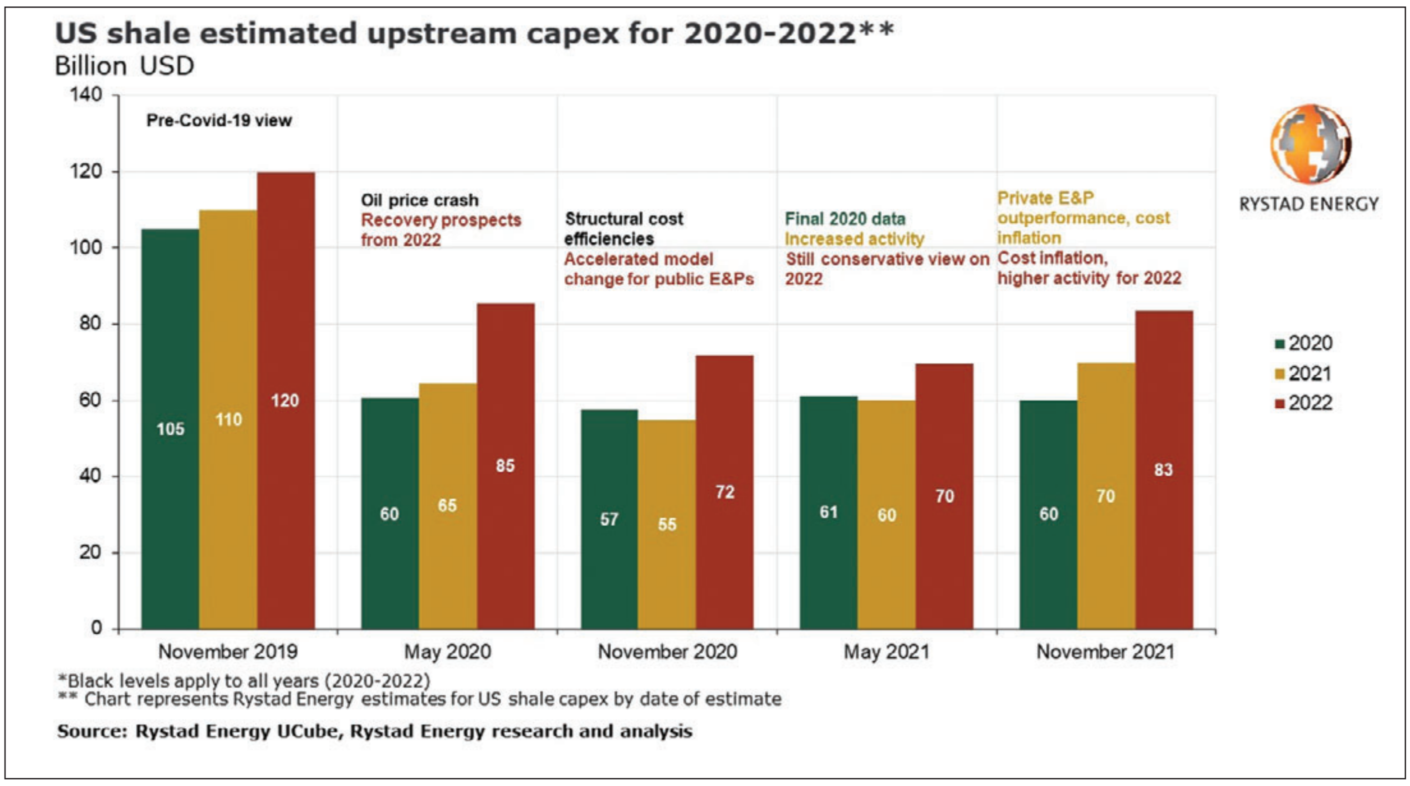
### US shale CAPEX to jump in 2022

U.S. shale upstream expenditure is projected to increase 19.4% in 2022, from an expected $69.8 billion in 2021 to $83.4 billion, the highest spending level since the onset of the COVID-19 pandemic, according to a Dec. 1 Rystad Energy report.

Rystad said its estimated year-on-year increase calls for price inflation of $9.2 billion with increased activity of $8.6 billion, adding that the increases will be partially offset by $4.2 billion in savings from efficiency gains.

Efficiency gains will be driven predominantly by further adoption of simul-fracs, the consultancy said.

"Oil and gas activity and upstream spending in U.S. land has been exposed to significant volatility in the last two years," said Artem Abramov, Rystad head of shale research. "Aggressive strategies from private operators in the U.S. shale patch have driven spending this year, but we anticipate significant growth in 2022 from public and private operators alike."




Despite the spending growth, the 2022 total is well below the level forecast for 2022 before the pandemic took hold.

In November 2019, Rystad forecast total U.S. shale spending for 2020 would be $104.9 billion, with $109.7 billion and $119.8 billion per annum estimated for 2021 and 2022, respectively.

Rystad's estimate for 2020 was cut in that year's second quarter to $60.4 billion following the unprecedented oil price crash and a domestic storage crisis.

Public independents maintained their 2021 U.S. shale budgets compared with 2020 on a full-year basis, with a modest increase in the weighted-average well activity index — two-thirds of completion count and one-third of drilled well count, Rystad said.

Higher activity was offset by structural efficiency gains and lower service costs behind actual drilling and completion operations, Rystad said, noting that while the statement "might sound counterintuitive from the perspective of significant spot rate inflation in most service segments throughout 2021, it should be noted that there was an opposite trend throughout 2020, which allowed large independents to lock in cheaper service rates in early 2021 compared to what was behind their D&C spending in 2020."

Private operators, moving aggressively throughout 2021, heated up spot service rates and have felt the impact of cost inflation this year, Rystad said. Expanding private E&P activity drove total U.S. shale capital expenditure up by around 16% in 2021 compared with 2020.

A new pandemic-fueled hit to demand, however, could put the brakes on 2022 CAPEX.

"As the Omicron variant of the novel coronavirus tightens travel restrictions and raises concerns over a potential industry slowdown, some hesitancy in spending could yet materialize," Rystad said. ●

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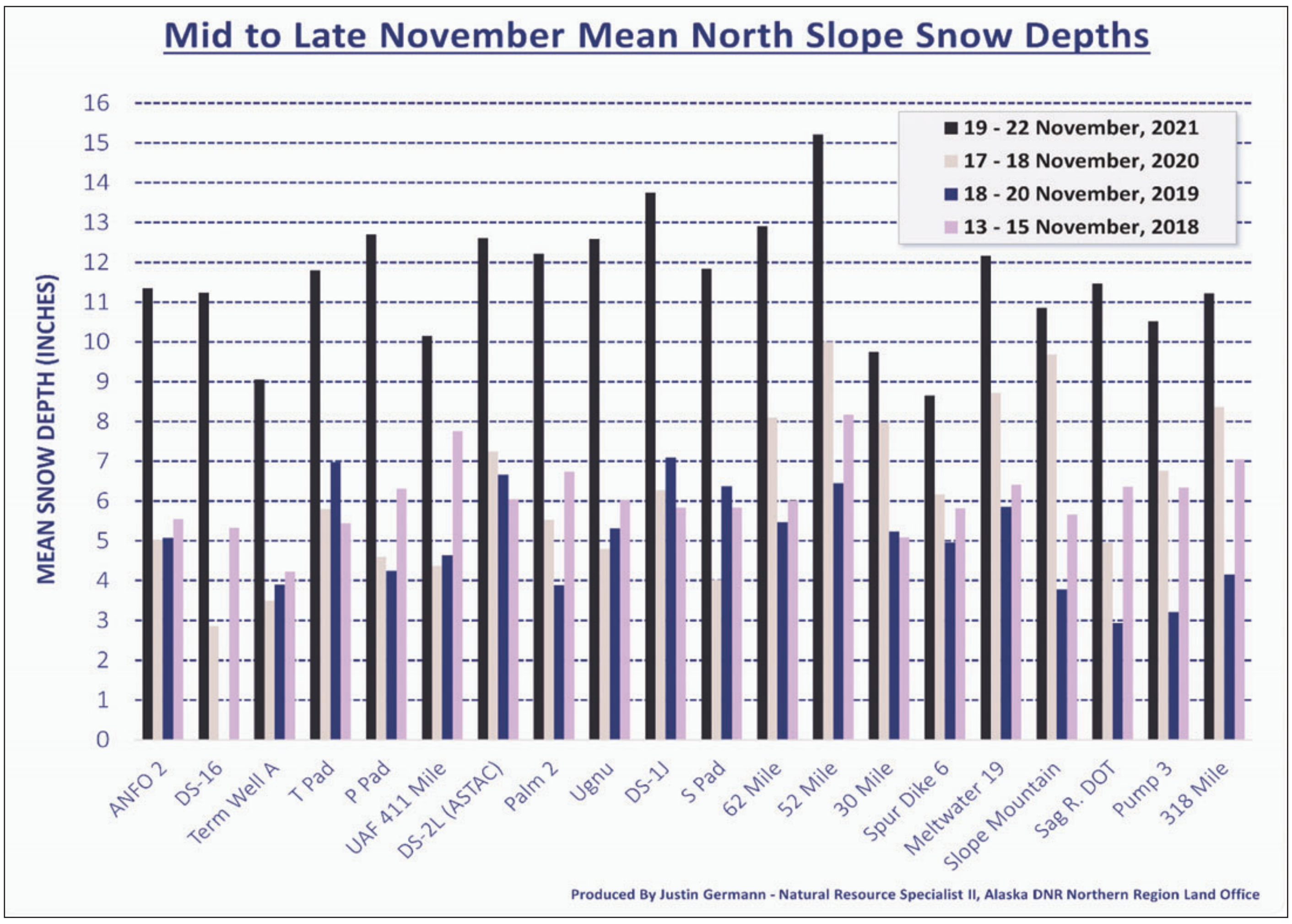


*The division said that due to the exceptional snow conditions it "strongly recommends that any operator planning to construct snow and ice roads begin prepacking operations as soon as possible," as the deep snow can insulate the tundra and push back travel opening.*

*continued from page 1*

## SNOW LEVELS

Both snow depth and subsurface temperature requirements must be met for tundra openings.

None of the monitoring stations have met the subsurface temperature requirement of a soil temperature of minus 5 degrees C at a depth of 30 centimeters. The division said most stations are reporting 0 degrees at that depth, although temperatures have fallen slightly since the previous week.

Snow depth is another matter.

All stations but one met snow depth requirements — and that station missed by only a quarter of an inch.

Coastal areas require a snow depth of 6 inches: the average depth is 11.05 inches for eastern coastal areas and 12.6 inches for western coastal areas.

The snow depth requirement for the foothills area is 9 inches of snow and the average depth in the lower foothills was 11.74 inches and the average depth in the upper foothills was 11.02 inches, the division said.

The division said that due to the exceptional snow conditions it "strongly recommends that any operator planning to construct snow and ice roads begin prepacking operations as soon as possible," as the deep snow can insulate the tundra and push back travel opening.

Prepacking will help drive subsoil temperatures down and also help stabilize the snowpack, preventing wind from moving the snow.

Prepacking requests can be sent to dmlw.north.slope@alaska.gov for approval.

**—KRISTEN NELSON**

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*continued from page 4*

## ANS OUTPUT

average of 1,069 bpd and down 31.3% from an October 2020 average of 1,543 bpd. Savant Alaska is a Glacier Oil and Gas company.

### Cook Inlet up 3.6%

Liquids production from Cook Inlet averaged 9,221 bpd in October, up 3.6%, 317 bpd, from a September total of 8,905 bpd and down 18.8% from an October 2020 average of 11,348 bpd.

Crude oil represents 99.4% of inlet production, with the only NGLs, 52 bpd in October, coming from the Swanson River field.

Hilcorp's Beaver Creek averaged 672 bpd in October, down 115 bpd, 14.6%, from a September average of 787 bpd but up 340.4% from an October 2020 average of 149 bpd.

Hilcorp's Granite Point averaged 2,587 bpd in October, up 1 bpd from September, but down 13.1% from an October 2020 average of 2,977 bpd.

BlueCrest's Hansen field averaged 871 bpd in October, down 11 bpd, 1.3%, from a September average of 882 bpd and down 15.9% from an October 2020 average of 1,035 bpd.

Hilcorp's McArthur River averaged 2,500 bpd in October, down 325 bpd, 11.5%, from a September average of 2,826 bpd and down 35.8% from an October 2020 average of 3,892 bpd.

Cook Inlet Energy's Redoubt averaged 829 bpd in October, up 782 bpd, 1,669%, from a September average of 47 bpd, when the field was being restarted from an extended shutdown. CIE is a Glacier Oil and Gas company.

Hilcorp's Swanson River averaged 776 bpd in October (this includes 52 bpd of NGLs), down 65 bpd, 7.7%, from a September average of 840 bpd and down 2.7% from an October 2020 average of 797 bpd.

Hilcorp's Trading Bay averaged 883 bpd in October, down 47 bpd, 5%, from a September average of 930 bpd and down 28.9% from an October 2020 average of 1,242 bpd.

CIE's West McArthur River averaged 101 bpd in October as that field comes back from an extended shutdown.

ANS crude oil production peaked in 1988 at 2.1 million bpd; Cook Inlet crude oil production peaked in 1970 at more than 227,000 bpd. ●

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## INLET GAS

mcf per day, but up 14.4% from an October 2020 average of 17,340 mcf per day.

Hilcorp's Swanson River averaged 14,618 mcf per day, 7.2% of the total, up 6,711 mcf per day, 84.9%, from a September average of 7,907 mcf per day but down 35.2% from an October 2020 average of 22,573 mcf per day.

Hilcorp's Ivan River averaged 10,526 mcf per day, 5.2% of the inlet total, up 3,309 mcf per day, 45.9%, from a September average of 7,217 mcf per day, and up 132% from an October 2020 average of 4,538 mcf per day.

Hilcorp's Beaver Creek averaged 9,595 mcf per day in October, 4.7% of inlet production, down 1,015 mcf, 9.6%, from a September average of 10,611 mcf per day and down 27.2% from an October 2020 average of 13,188 mcf per day.

Furie's Kitchen Lights averaged 9,575 mcf per day in October, 4.7% of inlet production, down 1,239 mcf per day, 11.5%, from a September average of 10,814 mcf per day, and down 32.2% from an October 2020 average of 14,114 mcf per day.

Hilcorp's Cannery Loop averaged 4,862 mcf per day in October, 2.4% of inlet production, up 28.3%, 1,071 mcf per day, from a September average of 3,791 mcf per day and down 0.2% from an October 2020 average of 4,872 mcf per day.

AIX's Kenai Loop averaged 4,309 mcf per day in October, 2.1% of inlet production, up 554 mcf per day, 14.8%, from a September average of 3,755 mcf per day but down 14.9% from an October 2020 average of 5,065 mcf per day.

Hilcorp's Deep Creek averaged 3,965 mcf per day in October, 2% of inlet production, up 111 mcf per day, 2.9%, from a September average of 3,854 mcf per day, and up 6.8% from an October 2020 average of 3,714 mcf per day.

Hilcorp's Granite Point averaged 3,568 mcf per day in October, 1.8% of inlet production, down 28 mcf per day, 0.7%, from a September average of 3,596 mcf per day and down 5.3% from an October 2020 average of 3,766 mcf per day.

Vision Operating's North Fork averaged 2,622 mcf per day in October, 1.3% of inlet production, down 634 mcf per day, 19.5%, from a September average of 3,256 mcf per day and down 18.5% from an October 2020 average of 3,216 mcf per day.

BlueCrest's Hansen field averaged 2,386 mcf per day in October, 1.2% of inlet production, down 5 mcf per day, 0.2%, from a September average of 2,382 mcf per day and down 16.9% from an October 2020 average of 2,871 mcf per day.

Hilcorp's Trading Bay averaged 1,593 mcf per day in October, 0.8% of inlet production, up 88 mcf per day, 5.8%, from a September average of 1,505 mcf per day but down 35.6% from an October 2020 average of 2,475 mcf per day.

Hilcorp's Lewis River averaged 1,168 mcf per day in October, 0.6% of inlet production, up 48 mcf per day, 4.2%, from a September average of 1,121 mcf per day and up 10.5% from an October 2020 average of 1,057 mcf per day.

Amaroq's Nicolai Creek averaged 439 mcf per day in October, 0.2% of inlet production, down 26 mcf per day, 5.7%, from a September average of 465 mcf per day but up 74.7% from an October 2020 average of 251 mcf per day.

Hilcorp's Seaview, which came online earlier this year, averaged 433 mcf per day in October, 0.2% of inlet production, down 111 mcf per day, 20.4%, from a September average of 545 mcf per day.

Hilcorp's Nikolaevsk averaged 312 mcf per day in October, 0.2% of inlet production, down 7 mcf per day, 2.3%, from a September average of 319 mcf per day and down 13.9% from an October 2020 average of 362 mcf per day.

Cook Inlet Energy's Redoubt averaged 166 mcf per day in October, up 154 mcf, 1,290.9%, from a September average of 12 mcf — that was the month the field came back online after an extensive shutdown. CIE is a Glacier Oil and Gas company.

CIE's West McArthur River, which came back online in October after an extensive shutdown, averaged 16 mcf per day.

Cook Inlet natural gas production peaked in the mid-1990s at more than 850,000 mcf per day.

**—KRISTEN NELSON**

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## EXPLORATION & PRODUCTION

# Baker Hughes US rig count up 6 to 569

For the week of Thanksgiving Baker Hughes posted its rig count on Wednesday, Nov. 24, with the U.S. rotary drilling rig count at 569, up by six rigs from the preceding week and an increase of 249 from 320 a year ago.

When the count dropped to 244 in mid-August 2020 it was the lowest the domestic rotary rig count has been since the Houston based oilfield services company began issuing weekly U.S. numbers in 1944.

Prior to 2020, the low was 404 rigs in May 2016. The count peaked at 4,530 in 1981.

The count was in the low 790s at the beginning of 2020, where it remained through mid-March, when it began to fall, dropping below what had been the historic low in early May with a count of 374 and continuing to drop through the third week of August 2020 when it gained back 10 rigs.

The Nov. 24 count includes 467 rigs targeting oil, up six from the previous week and up 226 from 241 a year ago, with 102 rigs targeting gas, unchanged from the previous week and up 25 from 77 a year ago, and no miscellaneous rigs, unchanged from one the previous week and down by two from a year ago.

Thirty-four of the rigs reported Nov. 24 were drilling directional wells, 513 were drilling horizontal wells and 22 were drilling vertical wells.

### Alaska rig count unchanged

North Dakota (27) was up by four rigs from the previous week.

Texas (273) was up by two rigs and Pennsylvania (19) up by a single rig.

Rig counts in all other states were unchanged week over week: Alaska (6), California (10), Colorado (12), Louisiana (49), New Mexico (83), Ohio (10), Oklahoma (44), Utah (9), West Virginia (11) and Wyoming (15).

Baker Hughes shows Alaska with six rigs active Nov. 24, unchanged from the previous week and up by three from a year ago, when the state's rig count stood at three.

The rig count in the Permian, the most active basin in the country, was up by two from the previous week at 280 and up by 119 from 161 a year ago.

**—KRISTEN NELSON**

*continued from page 1*

## LEASE SALES

Inletkeeper and AKPIRG said the division should consider new information in three areas: climate science, financial risk and dismantlement in Cook Inlet and impacts of seismic surveys on marine mammals.

### Climate change

The comment contends that the current best interest findings don't evaluate effects of climate change in determining whether annual sales are in the state's best interest and cite multiple recent reports, documents, articles and studies summarizing climate change and effects, including thawing permafrost, coastal erosion and loss of sea ice.

Stokes said the division "considered and discussed Alaska's changing climate, and hazards associated with climate change" in both the Cook Inlet and Alaska Peninsula best interest findings. He said the division "does not dispute that climate change has and is occurring in Alaska" and said recent findings included brief descriptions of conditions in Alaska. The division has also "described reasonably foreseeable cumulative effects of emissions from oil and gas exploration, development, and production on air quality, including emissions of greenhouse gasses" and has also described air quality regulations under the Alaska Department of Environmental Conservation in the best interest findings.

Stokes said the function of the Division of Oil and Gas "is to manage lands for oil, gas, and geothermal exploration and development to maximize prudent use of thee resources for the greatest benefit for all Alaskans."

He said that predicting global change and estimating impacts from the worldwide oil and gas industry on climate and estimating the contribution to that impact which could come from oil and gas development of lands available for these sales are beyond the scope of information requested in the call for new information. There was some new information provided but "it is substantially similar to information considered and discussed" in the best interest findings. Stokes said the division would retain the comments and materials for use in the next 10-year updates to the best interest findings.

"The contribution of use of fossil fuels to climate change, climate change impacts in Alaska, and costs for responding to damages resulting from climate change are not substantial new information that justify additional mitigation and a supplement to these BIFs," he said.

### DR&R in Cook Inlet

Inletkeeper and AKPIRG said consolidated ownership of Cook Inlet oil and gas assets, among the oldest in the state, concentrates financial risk and dismantlement, removal and restoration responsibilities.

"Discussion of DR&R responsibilities for assets in Cook Inlet or other oil and gas producing regions in Alaska is not included in BIFs and is beyond the scope of these decisions," Stokes said.

That Hilcorp acquired most of the Cook Inlet assets prior to 2021 is not new information, he said.

"Liabilities for repair and maintenance of oil and gas infrastructure and DR&R costs are considered as a part of every assignment of assets and upon any relinquishment or termination of leases," Stokes said, and reviewed requirements included in lease conditions.

The BIFs, he said, do discuss bond requirements for operations on leases.

### Seismic survey impacts

Inletkeeper and AKPIRG said there is new information from passive acoustic monitoring on displacement of whales and dolphins away from active seismic survey areas.

Stokes reviewed requirements for marine mammal observation during seismic survey operations and said the Cook Inlet BIF discusses "foreseeable potential cumulative effects from offshore seismic surveys on marine mammals," a discussion not included in the Alaska Peninsula BIF because offshore drilling in that area is only allowed from onshore.

Information on Cook Inlet beluga whale critical habitat is included in 2019 supplemental finding for the Cook Inlet BIF, he said.

Because all marine mammals are protected under the Marine Mammal Protection Act administered by federal agencies and there are existing protections for Cook Inlet, Bristol Bay and state submerged lands, the division "does not find that this information justifies additional mitigation and a supplement to the BIFs," Stokes said.

—KRISTEN NELSON

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*continued from page 2*

## HILCORP FINE

the original notice. "We in good faith do not believe we ever received a copy of the October 4 Notice of Violation," Hilcorp told the commission.

In its Nov. 30 decision and order the commission said it had accepted Hilcorp's request to reconsider the $2,000 per day assessment.

### Decision and order

In its Nov. 30 decision, the commission said factors it considered in the $10,000 fine included "the critical role of the SVS device that was defeated, Hilcorp's substantial history of compliance, and need to deter similar behavior."

The commission said while Hilcorp conducted an internal investigation, "no details have been shared that would point to a root cause for the defeated critical well SVS at PBU H-24A and how long it was defeated before being discovered by an AOGCC inspector. Hilcorp has not provided any information to change the initial penalty for the defeated well safety valve and states it will not contest the $10,000 initial penalty for a defeated SVS."

The commission said Hilcorp has not provided a root cause analysis identifying the cause of the defeated critical well SVS and said it "questions the effectiveness of Hilcorp's reliance on disciplinary action against those involved with the PBU H-24A SVS maintenance as a means of prevent a recurrence of this violation, especially in light of corrective actions that Hilcorp claimed it would implement in response to previous SVS-related violations."

The commission also said "Hilcorp has not adequately addressed AOGCC's request for information about what has or will be done in the future to prevent its recurrence."

In addition to the $10,000 civil penalty, the commission is requiring within 10 days a written investigation report and a detailed written explanation of how Hilcorp will prevent recurrence as the commission requested in its Oct. 4 notice of violation. ●

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## KEYSTONE PAYBACK

Canada-U.S.-Mexico Agreement, CUSMA, but NAFTA was the trade law on the books when the project started, said Erin LeBlanc, a lecturer at the Smith School of Business in Ontario.

"It's the largest claim for a Canadian organization against the U.S. government," she said.

The pipeline was originally proposed under the Obama administration, which ultimately rejected the application on environmental grounds. President Donald Trump then revived the project, only to have Biden deliver the knock-out blow on his first day in office in January.

### Responsibility to shareholders

"As a public company, TC Energy has a responsibility to our shareholders to seek recovery of the losses incurred due to the permit revocation," the company said in a statement.

Richard Prior, TC Energy's senior vice president for liquids pipelines, said his company has no intention of reviving the pipeline even if it wins the trade hearing.

"We're not doing this for symbolic or political purposes. This is a business decision," he said. "This is just about recovering the destroyed value of the investment."

LeBlanc said governments in Canada and the U.S. will follow the proceedings closely because of the claim involved, while other companies will study how the case gets handled.

She said TC Energy has some "valid claims," given the view at Biden's decision "amounts to indirect expropriation without compensation. (TC Energy's) investment was brought down to a value of zero by one stroke of the pen."

LeBlanc said TC Energy could also claim it was unfairly singled out by a decision that had no ties to a "policy change that affected a bunch of other organizations."

### No US losses under NAFTA

However, trade lawyer Mark Warner said the company faces a steep uphill climb given that the U.S. has "never lost a single case that's been brought under the NAFTA Chapter 11. That's not to say it is impossible, but the (trade) cases that have succeeded have tended to succeed against Canada and Mexico."

Because politics was a factor in the cancellation of Keystone XL that could prove to be TC Energy's best argument, especially if the Biden administration decides it is prepared to settle for pennies on the dollar to avoid a protracted fight.

The company has attracted support from one big-name U.S. lawmaker, rebel Democratic Senator Joe Manchin.

He called on Biden to responsibly increase energy supplies for U.S. consumers by allowing Keystone XL to be built and take advantage of oil "from Canada, one of our closest allies."

"This is about American energy independence and the fact that hard-working Americans should not depend on foreign actors like OPEC+ for our energy security and instead focus on the real challenges facing our country's future," he said.

Since February, Manchin has sided with Republicans in urging Biden to rethink cancelling the presidential permit for the pipeline, insisting that pipelines "continue to be the safest mode to transport our oil and natural gas resources and to support thousands of high-paying American union jobs." ●

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Petroleum news

# Advertiser Index

## Companies involved in Alaska's oil and gas industry



*All of the companies listed above advertise on a regular basis with Petroleum News*

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## PROGRAM REFORMS

every American. The Interior Department has an obligation to responsibly manage our public lands and waters — providing a fair return to the taxpayer and mitigating worsening climate impacts — while staying steadfast in the pursuit of environmental justice," said Interior Secretary Deb Haaland. "This review outlines significant deficiencies in the federal oil and gas programs, and identifies important and urgent fiscal and programmatic reforms that will benefit the American people."

### Executive order

The review that resulted in the new report was driven by an executive order issued in January by President Joe Biden, requiring federal agencies to address the threat of climate change. The report focuses on fiscal terms, leasing processes and environmental remediation requirements for oil and gas leasing on federal land. The Bureau of Land Management oversees oil and leasing on federal onshore lands, while the Bureau of Ocean Energy Management and the Bureau of Safety and Environmental Enforcement deal with offshore federal leasing.

The report recommends adjusting royalty and bonding rates. There needs to be prioritization of leasing in areas with known resource potential, while avoiding leasing that conflicts with recreation, environmental conservation, and the protection of historic and cultural resources. DOI says that it will continue to conduct outreach to stakeholders in oil and gas development, including state and local governments; tribes; conservation and environmental justice communities; and industry and labor.

The DOI review found that the federal oil and gas program fails to provide a fair return to taxpayers, even without accounting for climate-change costs. The program inadequately accounts for environmental harm from oil and gas development while fostering speculation by oil and gas companies, "to the detriment of competition and American consumers," the review report says. The current program also extends leasing into lands with low oil and gas potential, land that has potential other higher value uses. And the program leaves communities out of important conversations about land use, the report says.

In recent decades US energy needs and the mix of available resources have changed, while the federal statutes and policies relating to U.S. oil and gas development have remained "largely static," the report said. And the report contains a series of recommendations.

### Revenues from leasing

The royalty, bonding and lease rental rates for onshore leasing, which have remained static for decades, need to rise, the report says. For example, the federal royalty rate of 12.5% is now lower than the rates in a number of states, where royalties range from 16.67% to 20%, the report says. The report does not mention the state of Alaska royalty rate that defaults to 12.5% but can be higher or lower, depending on the circumstances — in recent Alaska lease sales the rate has been either 12.5% or 16.67%, depending on how the state views the value of the acreage. In terms of bonus bids for acquiring leases, the report says that the Government Accountability Office has found that leases acquired with higher bonus bids are more likely to be developed in their first terms than leases acquired with low bids. And federal rental rates of $1.50 to $2 per acre have not changed since 1987.

Surety bonding for oil and gas drilling has become a contentious issue in Alaska in recent years, with the Alaska Oil and Gas Conservation Commission raising bonding levels to more realistically represent the anticipated costs of plugging and abandoning wells. The DOI report says that federal bonding requirements provide insufficient financial assurance for wells drilled on federal land and that the BLM should appropriately increase required bonding amounts, with bonding requirements being adjusted as appropriate while new bonding regulations are being developed.

For offshore federal land, the report says that BOEM is currently responding to several GAO recommendations aimed at ensuring that the agency is capturing the full market value of lease tracts from the offshore leasing programs. Offshore royalty rates currently range from 12.5% to 18.75%, depending on the water depth.

Offshore surety bonds currently range from $50,000 to $1 million, depending on the area covered by the bonding and the type of activity being conducted. However, following some recent bankruptcies, the companies involved have been unable to cover their decommissioning liabilities — financial assurance coverage needs to be strengthened, to protect the government and taxpayers from having to cover these costs, the report says.

### Land use priorities

In terms of onshore oil and gas leasing, BLM needs to ensure that this type of leasing does not take priority over other land uses, the report says. There is a need to assess what land makes most sense for leasing, in terms of anticipated development value in relation to conflicts with other uses such as recreation and wildlife habitat. And, rather than opening most federal land for potential leasing, BLM should avoid wasting time and money over the leasing of land with low resource potential, instead focusing on areas that have moderate or high potential, the report says.

Lease bidders should be screened to ensure that they are appropriately qualified to develop leases.

In the offshore, BOEM needs to consider ending the practice of areawide lease sales, instead focusing on smaller areas that have high resource potential, taking into account other factors including environmental protection and subsistence use needs, the report says.

"Modernization of the federal oil and gas program has been delayed for decades to the detriment of the American public, their public lands and waters, the environment, wildlife and more," the report concludes. "In its current form, the program falls short of serving the public interest in a number of important respects."

### Murkowski responds

U.S. Sen. Lisa Murkowski, R-Alaska, slammed the report in a Nov. 29 press release, arguing that the short report lacks any meaningful analysis and misrepresents how oil and gas development actually works.

"This report is exactly what we thought it would be: a series of preordained conclusions that are designed to end federal oil and gas production," Murkowski said. "President Biden campaigned on that, and his administration is now advancing what amounts to a death-by-a-thousand-cuts strategy to achieve it … The policies it calls for won't maximize returns for taxpayers or even reduce emissions — instead, they will hurt production in states like Alaska, further raise energy prices, and increase our nation's import dependence."

—ALAN BAILEY

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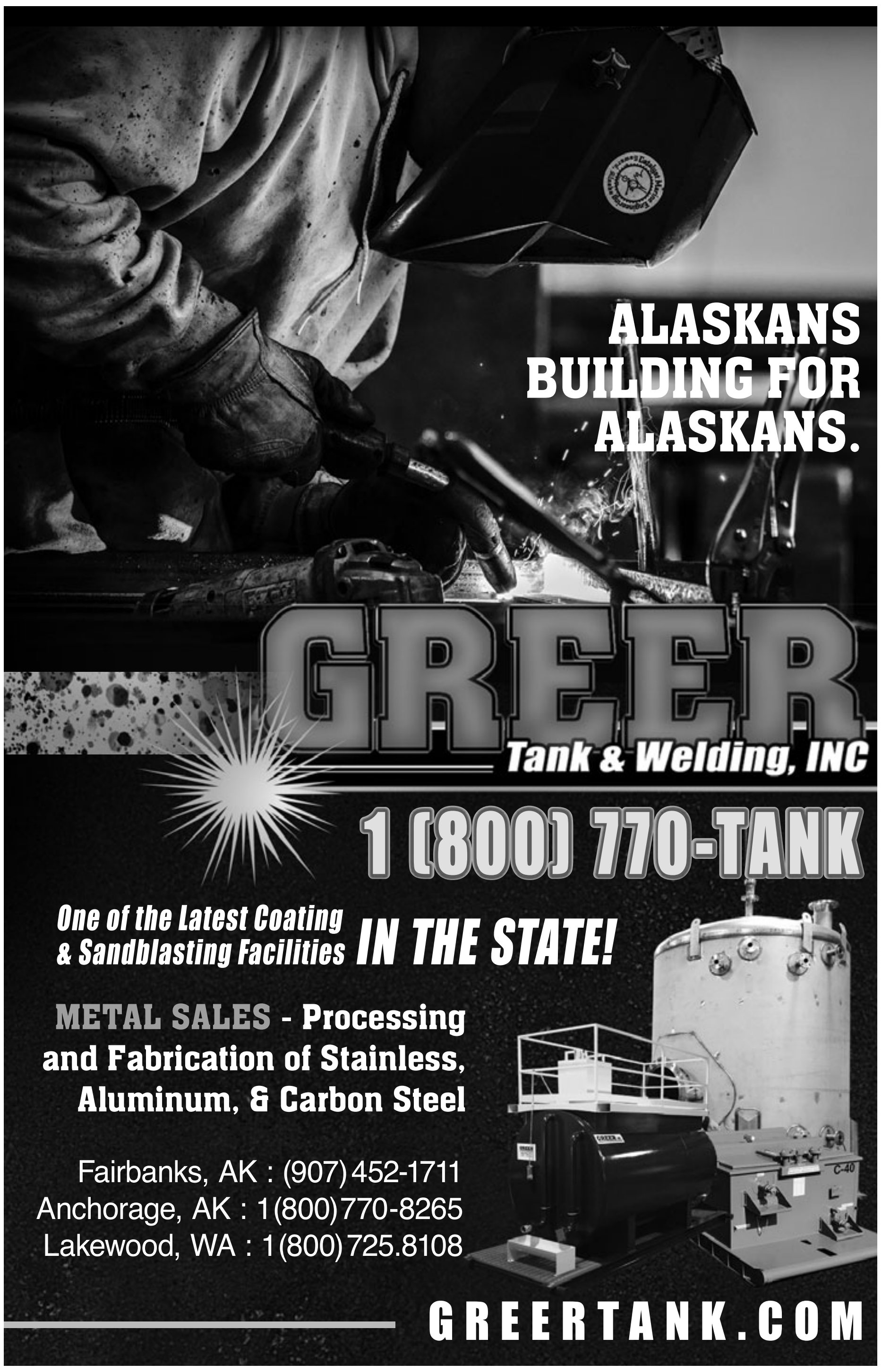


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## PLANT INCENTIVES

Agreements have been signed with KBR and Johnson Matthey to provide the license application and basic engineering design.

Geoff Bury, president and chief executive officer of NPC, said the project will be part of the Greenview Industrial Gateway Hub.

"We believe it will be a key part of Alberta's transition to a clean energy future," he said.

Bury said the demand for ammonia, which is used primarily to produce fertilizer, is 190 million metric tons a year, forecasting that the demand for ammonia is "going to take off and grow dramatically over the coming years."

He estimated the facility will generate up to C$3 billion in tax revenue throughout its lifespan, adding that Alberta government incentives play a key role in NPD's decision to build in the province.

"When we were trying to decide where to build we looked at various international jurisdictions before choosing Alberta, to a large degree because of the government's support for the petrochemical industry," along with access to natural gas, water and rail lines.

The Alberta Petrochemicals Incentive Program offers to pay up to 12% of capital costs — or C$300 million in NPR's case — for new petrochemical, fertilizer or hydrogen production facilities or expansions.

*The Alberta Petrochemicals Incentive Program offers to pay up to 12% of capital costs — or C$300 million in NPR's case — for new petrochemical, fertilizer or hydrogen production facilities or expansions.*

Alberta Finance Minister Travis Toews touted the program and Alberta's reduced corporate tax rate of 8% which was a key to winning over NPC.

"It's very gratifying to see investments not just start to trickle into Alberta, but to pour in," he said.

Alberta Premier Jason Kenney said the NPR venture is "more evidence that Alberta's economic recovery is for real and is big. This brings home momentum for attracting job-creating investment that diversifies our economy and also reduces emissions."

Taking a shot at the COP26 climate change conference in Glasgow, he said that while international leaders spent two weeks at a "global talk fest" Alberta was "getting the job done" by lowering emissions at large projects.

"Rather than trying to shut down the modern industrial economy or punishing people for living normal lives in a cold climate, we're attracting investment in technology that bends the curve down." Kenney said.

—GARY PARK

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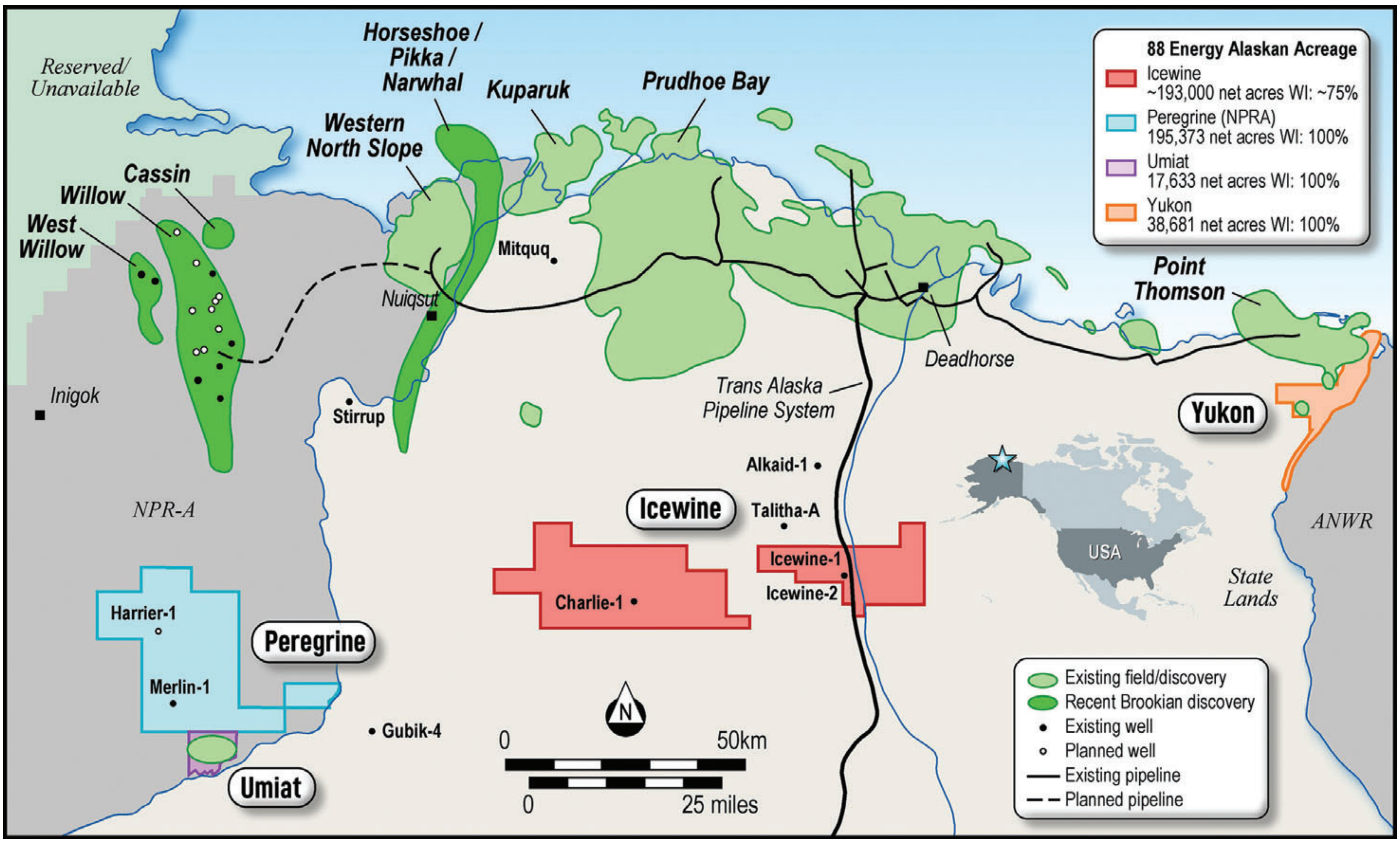

88 ENERGY

*continued from page 1*

## DRILLING PLANS

east and downdip of Merlin 1, "in an area expected to display thicker reservoir sections along with higher permeability and porosity."

Merlin is seen by the company as a possible 652 million barrel exploration target with an estimated geological chance of success of 56%.

Permitting and planning are at an advanced stage, 88 Energy told investors.

The location chosen for Merlin 2 was preferred among three potential sites. 88 Energy said the other two locations can potentially be used at a later stage for follow up wells.

### Merlin 1 results

88 Energy also said its post well evaluation of Merlin 1, which was drilled in March to a depth of 5,267 feet in the National Petroleum Reserve-Alaska, has successfully demonstrated the presence of oil in multiple stacked sequences in the Cretaceous Nanushuk formation (N20 and N18 targets). An additional new target, the N19 sand, that was not previously mapped, also returned a strong hydrocarbon signature following geochemical analysis.

Analysis indicated 41 feet of net log pay across the three reservoir intervals, which are in the Nanushuk Grandstand sands.

These sands, 88 Energy said, show close correlation to the Lower Grandstand sands seen in 88 Energy's nearby Umiat field and petrophysical analysis has returned 138 feet of possible net pay.

In addition, 88 Energy said geochemical analysis of the cores from Merlin 1 established the "presence of a light oil with an estimated API gravity between mid-30 to low-40 API."

Erik Opstad oversees 88 Energy drilling operations in Alaska and is a state of Alaska certified professional geologist who has worked the North Slope for 36 years, including a stint with BP in various roles.

### Great Bear Pantheon's plans

In Great Bear Pantheon's upcoming North Slope winter drilling campaign, it aims to re-enter and test all untested zones of the Talitha A well it drilled last winter and to drill the Theta West 1 well. The Theta West ice pad will be 10 miles west of the Talitha pad. (Another possibility, Pantheon said Nov. 17, is instead of Theta West is its nearby Alkaid prospect.)

The company expects to see the same zones and more in the Theta West well, and the expected recoverable resource amounts are gargantuan for the $770 million market cap Pantheon Resources, a London-based, AIM listed company.

"At least a billion" barrels, Bob Rosenthal, Pantheon's technical director recently told Petroleum News in early November. "We think we've got one of the largest discoveries made in the world in the last year."

North Slope operator and a Pantheon subsidiary, Great Bear Pantheon, or GBP, considers Theta West 1 to be an appraisal

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## DRILLING PLANS

well of last winter's discovery at Talitha, Rosenthal said.

The Talitha well was drilled and logged to the base of the Kuparuk formation, with sidewall cores taken from each potential reservoir interval (Kuparuk, Lower Basin Floor, Upper Basin Floor Fan sequences, Slope Fan and Shelf Margin Deltaic horizons). Although seasonal restrictions and operational prudence did not allow time for a flow test at all potential reservoir intervals, a flow test was conducted at the deepest of those intervals, the Kuparuk.

Petroleum News sources say GBP has under contract much of the equipment and supplies it needs to complete its drilling plans due to the fact it was willing to put money down for many of the essentials.

PATRICK GALVIN

That information coincides with what Pantheon said Nov. 17 — that it had entered into a short-term draw down facility of US$1.5million with an existing shareholder.

The company said the funds would be used to secure equipment, goods and services ahead of the planned North Slope winter drilling program.

PANTHEON RESOURCES

Nordic Rig 3 drilling at Talitha last winter.

Pantheon said global supply chain constraints have lengthened the lead times for securing equipment for its Alaska drilling campaign and it needed to order key equipment and materials to minimize the risk of disruption to drilling operations.

The "facility is a precaution against short-term supply issues by ensuring we are prepared as possible for drilling and testing in the New Year," said Jay Cheatham, chief executive of Pantheon.

The company has, "subject to funding, secured the services of the Nordic-Calista No. 3 rig and crew, as previously used for the drilling and testing of Talitha A."

### Farmout or funding

On Nov. 17 Pantheon repeated what it previously said: that it must complete either a farmout or funding in the final quarter of this year to have sufficient resources for the upcoming winter drilling and testing campaign and for ongoing working capital.

The company said it is actively engaged in negotiations for a potential farmout and funding options, adding that it is optimistic about completing its financing objectives this quarter.

Pantheon said the necessary permitting applications have been submitted "in good time and the company has lined up the contractors and supplies required to complete the operational program in its entirety."

"As always," Cheatham said, "we must caution that there can be no guarantees until a financing deal is signed."

In parallel, Pantheon said it has "continued its technical work to further increase our understanding of the assets ahead of the drilling campaign."

Pantheon's top official in Alaska is Patrick Galvin, Great Bear Pantheon's chief commercial officer and general counsel and former commissioner of the Alaska Department of Revenue.

### Nikaitchuq NN-02 possible

There is an outside chance that Eni US Operating, a subsidiary of Italian multinational Eni S.p.A., will spud its second Nikaitchuq North extended reach exploration well in second quarter 2022. The Alaska Beaufort Sea prospect is in a federal OCS unit, Harrison Bay block 6423, which is approximately 6 miles from the Spy Island Drill site in the state of Alaska Nikaitchuq unit.

In its 14th plan of development for the Nikaitchuq unit, which runs from Oct. 1 through Sept. 30, 2022, operator Eni told Alaska's Division of Oil and Gas that facility upgrades will be completed to support the planned Nikaitchuq North exploration well.

NN-02 was supposed to be drilled this coming winter unless Eni requested another extension from the feds.

As of the morning of Dec. 1, Eni had not requested an extension, per the Bureau of Safety and Environmental Enforcement's press secretary Sandy Day. ●

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